

REPORT TO: <b>Audit Committee</b>	DATE <b>31 March 2009</b>	CLASSIFICATION	REPORT NO.	AGENDA NO.
REPORT OF: <b>Corporate Director, Resources</b>		Annual Internal Audit Plan 2009/10		
ORIGINATING OFFICER(S): <b>Service Head Risk Management</b>				
		<b>Ward(s) Affected: N/A</b>		

## 1. Introduction

- 1.1 This report presents the proposed Annual Internal Audit Plan for 2009/10. The plan was compiled using the Internal Audit Strategy approved by the Audit Panel in July 2005 and endorsed each year thereafter as part of the annual planning process.
- 1.2 The internal audit strategy details the methodology for developing the annual audit plan and sets out the role of internal audit and the process by which to direct the work of audit. The first step in this methodology is to obtain information about the population from which audit activity is to be selected. This was achieved by consulting with key officers, reviewing the authority's corporate plan and risk registers and meeting with external audit. By gathering information and assessing the risks affecting each auditable system, resources have been directed at those areas with the highest risk significance. Details of the strategy are attached at Appendix 2 for information.

## 2. Recommendation

- 2.1 That the Audit Committee endorse the Annual Internal Audit Plan for 2009/10 (Appendix 1).

### 3. **Background / Methodology**

- 3.1 The methodology for developing the Internal Audit Plan focuses upon the quantification of the risks associated with achieving corporate and departmental objectives.
- 3.2 This process uses four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the four assessment categories and what each is intended to measure.

<b>Assessment Category</b>		<b>Measure</b>
A	Corporate Importance – Objectives/Priorities	Corporate materiality
B	Corporate Sensitivity – Impact	Reputational materiality
C	Inherent Risk	Inherent vulnerability
D	Control Risk	Control effectiveness

- 3.3 Following this assessment, those systems with the highest score were added to the audit plan based on the resources available. In addition to the above assessment, auditable areas that have a low score, but in order to support the work of external audit or to provide assurance to key officers, are necessary also feature in this audit plan. These include areas such as the reviews of key financial systems, and performance indicators and an assessment of how primary schools meet the requirements of the Financial Management Standards as required by the DCfS.

#### **Resources**

- 3.4 The table below shows how provisionally the plan will be resourced between the in-house staff and our strategic internal audit partner, Deloitte.

<b>Audit Resources 2009/10</b>		<b>Days</b>	<b>Days</b>
<b>Deloitte</b>	Core Audit	322	
	Computer Audit	130	
	Management	129	581
<b>In-house</b>	6 auditors @ 195 days pp	1,170	
	Management	131	1,301
<b>TOTAL</b>			<b>1,882</b>
<b>PLAN TOTAL</b>			<b>1,882</b>

## Annual Audit Plan

- 3.5 Appendix 1 shows the annual audit plan and provides a brief summary of the scope of each review. The plan also shows the significance of the systems (High, Medium or Low), and where relevant, the source of the auditable area and its link to the authority's corporate priorities.
- 3.6 In summary, for 2009/10, the Internal Audit Plan comprises of 1,882 days across all directorates, covering a full range of audit activity including contract and computer audit. The table below shows the comparison with the original and revised audit plans for 2008/09. It is inevitable that changes will be made to the plan during 2009/10 due to factors such as changes in services and personnel, changes in priorities and changes in the Council's risk profile. The audit plan, therefore, has to be used flexibly. In line with the established protocols, all changes to the agreed 2009/10 plan will be reported to the CMT and Audit Committee in December 2009.

	<b>Original plan 2008/09</b>	<b>Revised Plan 2008/09</b>	<b>Audit Plan 2009/10</b>
Corporate systems	135	135	135
Chief Executive's	25	35	30
Children's Services	391	391	402
Communities, Localities and Culture	105	105	120
THH	135	135	150
Development & Renewal	75	75	90
Adult Health and Wellbeing	75	65	75
Resources	305	305	260
Contract audit	50	50	50
Computer audit	144	144	130
VFM & pro-active fraud	70	70	70
Follow-up & reactive work	370	370	370
<b>Total</b>	<b>1,880</b>	<b>1,880</b>	<b>1,882</b>

## 4. Comments of the Chief Financial Officer

- 4.1 These are contained within the body of this report.

## 5. Concurrent Report of the Assistant Chief Executive (Legal Services)

- 5.1 There are no immediate legal implications arising from this report.

## 6. One Tower Hamlets

- 6.1 There are no specific one Tower Hamlets considerations.
- 6.2 There are no specific Anti-Poverty issues arising from this report.

**7. Risk Management Implications**

- 7.1 The revised control environment should pick up the areas identified as of concern and reduce the residual risk.

**8. Sustainable Action for a Greener Environment (SAGE)**

- 8.1 There are no specific SAGE implications.

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**Local Government Act, 1972 SECTION 100D (AS AMENDED)**

***List of "Background Papers" used in the preparation of this report***

Brief description of "background papers"

**Contact :**

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